FAQs: SN control area operations

Why did Western go through this process?
A number of existing contracts between Western and Pacific Gas & Electric Company expire on Dec. 31, 2004. Under the existing contracts, PG&E furnishes supplemental power and provides the interface with the California Independent System Operator. After these contracts expire, Western will need to arrange for and meet its own supplemental power and transmission needs.

What is the basis for the decision?
Western chose to become a sub-control area within the SMUD control area because this alternative met all of five evaluation factors (flexibility, certainty, durability, operating transparency and cost-effectiveness) identified during its public process.

What does a sub-control area do?
A sub-control area performs the same functions that a control area performs: balancing load and resources within the sub-control area boundaries, providing reserves and providing frequency assistance to the host control area. All these functions are performed under the provisions of the agreement between the host control area and the sub-control area.

What does a host control area do?
The host control area is the Western Electricity Coordinating Council-certified control area within which the sub-control area resides. The host control area performs control area functions (balancing loads and resources; providing reserves; maintaining frequency control) and must meet all of the North American Electricity Reliability Council and WECC reliability criteria, meet certain NERC and WECC reporting requirements, and pay any WECC sanctions for violating WECC operating requirements.

What happens next?
Western will continue working with SMUD to finalize and execute the agreement that has been negotiated over the last several months. In addition, SMUD will present the proposed contract before its Board of Directors to get concurrence on the approach and the authority to execute. After the contract is signed, Western will identify and complete technical matters such as data communication, operating procedures and jurisdictional lines associated with implementation.

What about loads/customers outside the sub-control area?
Western expects customers not able to participate in the initial start-up of the proposed sub-control area will have an opportunity to later participate using dynamic scheduling procedures, should they be interested. Western however, does not expect to begin this follow-on phase until the first phase of the project has been implemented successfully and Western's system operators have had at least six months' experience with sub-control area operations.

The California ISO and BPA previously raised reliability concerns. How does this decision address those concerns?
Bonneville Power Administration, the Transmission Agency of Northern California and Western have cooperatively developed and agreed to technical procedures to operate the California-Oregon Intertie transmission facilities that all parties agree, if implemented, would enhance the reliable operation of this important interstate transmission interface.

What about the WECC control area certification process?
As part of expanding its control area boundaries, SMUD—as the control area operator—expects to participate in a peer-review process with neighboring control area operators, including BPA and the CA ISO to ensure that expanding its current control area boundaries will not degrade grid reliability.

How will the Pacific AC Intertie be operated?
Consistent with Western's decision, the Pacific AC Intertie will initially remain in the California ISO's control area. Western expects no significant changes to PACI operation.

What does the sub-control area include?
The initial proposed sub-control area boundaries include customers and facilities, which are directly-connected to the Federal transmission system. These facilities and customers include: the Tracy Pumping Plant, the Lawrence Livermore National Laboratory and the cities of Redding, Roseville and Shasta Lake. Western will now begin negotiating with each directly-connected entity to determine customer interest and willingness to execute intra-sub-control area participation agreements.

How will Western customers be affected by this decision?
Individual customers will see different impacts from Western's decision to become a contract-based sub-control area within SMUD. For instance, customers and project use loads with direct connections to Western's transmission system may expect to use operating and scheduling timelines, protocols and procedures used by the SMUD control area. Alternatively, those project use loads and preference customers who remain on the ISO-controlled grid should expect to adhere to ISO timelines, protocols and procedures. Western had discussed the future possibility of expanding the sub-control area boundaries beyond customers with direct connections by using dynamic scheduling. However, this future expansion would only occur if customers are interested in participation and only after Western's system operators have developed sufficient experience and expertise in handling sub-control area operations.

How will this decision affect Western's rates?
Estimates of costs for control area services have been included in Western's proposed rates, which are now the subject of a public process. Western's rates will be decided in that process and submitted to the Deputy Secretary of Energy and then to the Federal Energy Regulatory Commission for approval under Western's normal rate-setting public process.

Why doesn't Western establish its own control area?

The complexity and uncertainty of implementing a new marketing plan as well as creating a new control area led Western to conclude it is not prudent to accomplish both tasks simultaneously.

Why doesn't Western simply join the CA ISO?
Western and its customers are concerned about business uncertainty as well as the complexity and the cost of undertaking transactions with the California ISO. Forming a contract-based sub-control area is the first step in reducing risk, increasing certainty, and assuring durability so that Western can make long-term plans and commitments.

What are the costs of implementing this decision?
Because Western needed to implement a new post-2004 marketing plan and several major contracts with PG&E were expiring, Western was faced with expending new funds to either self-provide or purchase many of the required services that PG&E currently provides under the existing contracts. Since many of these systems would have been required regardless of the specific alternative selected, the cost of implementing this decision is the incremental cost of joining the SMUD control area.

Does Western have enough time to make the necessary changes and test them before Dec. 31?
Because of the need to coordinate our activities with Bonneville Power Administration, the Transmission Agency of Northern California and the California ISO on California-Oregon Intertie operations, the parties tentatively concluded that it may not be possible to implement a revised coordinated operating agreement and execute a successor transmission arrangement to Contract 14-06-200-2947A until summer 2005. In the meantime, the parties expect to either keep the existing agreement in place, or to execute an interim transitional agreement that will preserve and protect each party's business interests.

What interim steps has Western taken to get ready for this change?
Western has been designing and developing new hardware and software systems for all of its business processes needed to operate in the new configuration. Many of these systems are in the factory- or site-acceptance phase. Additionally, Western has installed telemetering and communications systems necessary to establish the sub-control area boundaries.